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The "New Fusionism": A Movement For Our Time

by Murray N. Rothbard

At the historic first open meeting of the new John Randolph Club (see below), JRC President Dr. Thomas Fleming, editor of *Chronicles*, referred to the new paleocon/paleolibertarian alliance as "the new fusionism." It is an excellent term for this outstanding new ideological and political movement, the very first movement born of the glorious new post-Cold War, post-Communist era. For, as became evident at the JRC meeting and has been clear for some time, this new movement is far more than an "alliance," which implies two inherently separate entities. Paleolibertarianism and paleoconservatism is increasingly a great coming together, a fusion of different but complementary elements.

Problems of the Old Fusionism

"Fusionism" was originally a creation of the fertile mind of top *National Review* theoretician and editor Frank S. Meyer. It was a call for a unified conservative movement based on a fusing of the previously disparate and seemingly antithetical libertarian and traditionalist wings of the conservative movement. Frank, an old and valued friend and mentor of mine, was basically a libertarian, or, a far better term, what we would now call a paleolibertarian. He believed in reason *and* tradition, believed in individual liberty and the free market, hated the public school system with a purple passion, detested hippie irrationality, believed in an objective ethic, and championed decentralization and states' rights (including those of the Old South) against federal tyranny. He was ardently in favor of, rather than opposed to, Christianity. (See my *Frank S. Meyer: The Fusionist as Libertarian*, 1981, Burlingame, CA: Center for Libertarian Studies, 1985.) And strategically, Frank strongly opposed from within the Buckley-*National Review* policy of purging the conservative movement of all "extremist" groups: notably, the libertarians, the Birchers, and the Randians. Meyer had the unique gift of setting forth his own ideological position with great strength and vigor, initiating ideological debates with other conservative thinkers, while at the same time trying to keep together all the factions within the broader movement and maintaining personal friendships with most of the clashing factions. Meyer foresaw that purging extremists would in-

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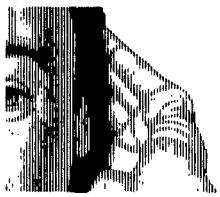
This new movement is far more than an "alliance."



THE EAR

by Sarah Barton

You heard it first from the Ear: that when Charles Murray was fired by the Manhattan Institute because his research into the welfare mess strayed into the h-o-t area of race and IQ, Murray called up his old friend and fishing buddy Eddie "Sexual Diversity" Crane. Remember that for years, Eddie had touted Murray far and wide as *the* big libertarian intellectual, a non-doctrinaire moderate compared to the first R. But Eddie gave Charles Murray the cold shoulder, Murray finally winding up at the AEI.

Months later, the story broke big in the *New York Times* (November 30). *Times* writer Jason DeParle interviewed Manhattan Institute head Bill Hammett who, pressed by DeParle, sounded increasingly inarticulate. First saying he worried about adverse publicity, Hammett finally stammered that "when you say this stuff it just

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(THE EAR cont. from P.1)

sounds bad. I have to rethink this damn thing." Next came old buddy Eddie who tired to explain why he turned down Charles Murray flat: "It's not an area I wish to get *involved in.*" DeParle, *trying to pin* down one of these slippery think-tankers, finally asked Eddie whether he shared Charles Murray's view that the entire question of white-black IQ and intelligence had "unfortunately become taboo." Said Eddie: "I think that sometimes taboos serve a legitimate social function." What happened to the fearless search for "truth," Eddie? Isn't that what your think-tank (Cato Institute) is pursuing with your tax-exempt funds?

It seems that while "S-D" Eddie is all in favor of Sexual Diversity, he is not in favor of intellectual diversity: in favor of intellectual taboos but not sexual ones. *That's* left-libertarianism.

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When a famous journalist called the Cato Institute "libertarian neo-cons," Ear was unpersuaded. Then Ed Crane hired Roger and Juliana Pilon, the social democratic answer to Nicolae and Elena, and placed them in high positions. Then Charles Koch, The Funder, set up a globalist think-tank and endowed chair for ex-Fed official Manuel Johnson at George Mason University. Then a political scientist revealed that Cato gets $1 million a year from Olin and other neocon foundations. Hmmm.

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The Koch anti-Austrian think-tank at George Mason, the Market Process Center, has closed down its irrationalist academic journal after the first issue, *and* its student newsletter. The whole enterprise may be next. Since Profs. Don Lavoie and Jack High had used Nobel-prize winner James Buchanan to force money out of Koch the last time their center was *slated for the junk-heap, it has* been on the death watch list. Buchanan is now retired. Note: wielding the knife on his own people is Richie Fink, head minion in Witchita.

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Last month, the Ear reported on Peace & Freedom, the new grassroots organization to be funded by billionaire David Koch and headed by Ed "Sexual Diversity" Crane of the Cato Institute. P&F was to wrap libertarian political ideas in the cultural agenda of the left, but no more. Apparently it's dead. (Excuse Ear for a moment while she changes into a black dress.)

Longtime Kochtopus'r Sheldon Richman blames the Ear's "sabotage." Flattering as this is, the Ear knows the left-libertarian extravaganza was vetoed by Ed's boss, Richie Fink.

Richie—a Koch Washington lobbyist—worried that P&F would mean too much notoriety just now, with legal troubles looming for the empire, involving an alleged Indian oil scandal and *hundreds* of millions of dollars. Stay tuned for further developments!

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Speaking of Sheldon Richman, he and Bill Bradford denounced the second R's claim that left libertarians love Martin Luther King. Now they fulfill the paradigm. Sheldon's editorial in Bill's new *Liberty* defends King as "the essence of individualism," pooh-poohs his plagiarism, and calls the statist cheat an "intellectual heir" to Locke, Jefferson, and DuBois.

In fact, King was an intellectual heir only to DuBois, for King was a life-long Communist fellow-traveler, and Dubois a long-time member of the Communist Party's central committee.

"Forced integration," says Joe Sobran, "is to racial harmony what a shotgun marriage is to romance." And King was holding the shotgun.

Why then would left-libertarians, who are supposed to believe in freedom of association, love King? Ear has a hunch that it's King's devotion to what Ed Crane praises as "sexual diversity." King bedded other men's wives, other wives' men, underaged girls, and young boys. Ear's guess is that even holes in the ground had to watch out. No wonder the LLs love him.

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A famous conservative journalist recently explained Ed Crane's attack on Lew Rockwell: "Lew Rockwell thinks marriage is for men and women, rather than men and men, or men and sheep."

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Jim Peron, who flew to South Africa to work with the libertarian Free Market Foundation, is back in San Francisco. Jim had leased his Free Forum Books to ISIL, the International Society for Individual Liberty (the old Libertarian International), but the contract allowed Jim to change his mind, and he has. Note: the contract had stipulated that ISIL keep the boy pornography corner of the bookstore in operation. ●

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(Fusionism.. cont. from P.1)

evitably lead to a conservative movement shorn of all principle except respectability and a seat at the trough of government Power.

But there was one great flaw in Meyer's fusionism that proved to be fatal, and destructive of fusionism itself. In an era when many, if not most, conservative intellectuals were defectors from Communism, Frank took pride in being the top cadre Communist of all. A veteran Communist who got his start as organizer at the London School of Economics, Frank was a leading theoretician, a member of the National Committee of the Communist Party, USA, and head of the CP's second leading cadre training school, the Workers' School of Chicago. As a top defector, Frank was deeply committed to total destruction of the God That Failed, up to and including nuclear annihilation of the Soviet Union. Hence, Frank not only disagreed with the Old Right foreign policy of isolationism, his major interest was to reverse it, and he was the most pro-war of all the myriad war hawks of *National Review* and the conservative movement. Being militantly pro-war also meant being in favor of U.S. imperialism and of all-out military statism in the U.S.

But there was one great flaw in Meyer's fusionism.

Frank Meyer's devotion to the global crusade against Communism and the Soviet Union did not only poison the conservative movement's explicit foreign and military programs. For it led Frank, even though personally strongly anti-socialist, to embrace warmly as comrades any wing of socialists who were defectors from or converts to anti-Communism. In short, Frank's strategic focus, The Enemy for him and for the conservative movement, was not statism and socialism but Communism. Hence, it was under Frank's theoretical and strategic aegis that the conservative movement rushed to welcome and honor any species of dangerous socialist so long as they were certifiably anti-Communist or anti-Soviet. Under this capacious umbrella, every variety of Marxian socialist, whether right-wing Trotskyite, Menshevik, Lovestonite, or Social Democrat, was able to enter and infect the conservative movement. The invasion and conquest of the conservative movement by Truman-Humphrey social democrats calling themselves "neo-conservatives" happened after Frank's death; but the way had been paved for that conquest by the uncritical embrace of anti-Stalinist socialists that Meyer's theoretical and strategic vision had called for and orchestrated. And so tragically, Meyer's fusionist doctrine had paved the way for its own destruction; for the tough Marxist and Leninist-trained neocons were able, by paying lip service to such venerable conservative principles as the free market, to destroy Meyer's own conservative guiding principles and replace them by warmed-over social democracy in the guise of "neo-conservatism," "global democracy," "the Opportunity Society," "progressive conservatism," or whatever other slogan of the moment might prove opportune.

In opposing the old fusionism, I tried vainly to argue with conservatives that the Enemy was not Communism or the Soviet Union but statism and socialism, and that once one embraces that wider vision, it would become clear that the main enemy of both American liberty and traditional Americanism resided not in Moscow or Havana but in Washington, D.C.

The Main Menace: from Communism to Social Democracy

Whether or not I was right about the Soviet/Communist menace, and I still believe that I was, the course of human events has, thank goodness, now made that argument obsolete and antiquarian. The sudden and heartwarming death of Communism in the Soviet Union and Eastern Europe has put an end to the Communist menace. We have stressed in these pages the enormous implications of this revolutionary event for our foreign and military policy, and for making viable, more than ever, the Old Right policy of "isolationism." We have also discussed the fact that the death of centralizing commu-

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nism in these countries has liberated the long suppressed and oppressed ethnic and nationality groups, each of whom are once again demanding freedom and independence from their national oppressors. In many ways, we are living in a "time warp," as 1990 and beyond take on many of the features of 1914 or 1919 or 1945.

But another vital aspect of this new post-Communist world is that The Enemy of liberty and tradition is now revealed full-blown: social democracy. For social democracy in all of its guises is not only still with us and has proved longer-lived than its cousin, Communism, but now that Stalin and his heirs are out of the way, social democrats are trying to reach for total power. They have to be stopped, and one of the objectives of the new fusionism of the paleo-libertarian and conservative movement is indeed to put a stop to them.

At the end of World War II, at a moment in history when social democrats and Communists were allied, what is now called "the new world order" was already prepared for us. The idea was that a new United Nations, the old League of Nations plus enforcement power, would function as an effective world government in the form of a condominium of the world's superpowers, those blessed with a permanent seat and a permanent veto on the Security Council: the United States, the Soviet Union, Britain, France, and China. The United States, in short, was to run this world government in collaboration with its junior partner, the U.S.S.R. But the Cold War split the superpowers apart, and as a consequence the U.N. was reduced to the status of a debating society, and became an institution hated and reviled both by the conservatives and by social democrats. But now that Communism and the Cold War are ended, the U.N. is back, hailed as the governor of the new world order by a conservative movement that has now been captured and ruled by the social democrat neocons.

Social democrats are all around us, and so it is all too easy to discern their reaction to the great problems of the post-Cold-War era. Whether calling themselves neoconservatives or neoliberals, they stand foursquare in favor of statism in every instance: that is, strongly opposed to isolationism and in favor of U.S. intervention and war, almost as a high principle; and secondly, as bitter opponents of the ethnic nationalisms liberated at long last by the collapse of centralizing communism. Read a social democrat anywhere, and you will find hysterical attacks on nationalisms and national aspirations as against centralism everywhere, whether it be in Poland, Croatia, Lithuania, the Ukraine, or the Russian Republic. And the great smear whether it be within the United States or against emerging Eastern European nations, is almost invariably to raise the spectre of "anti-Semitism," to wield against nationalists or isolationists.

The Enemy of liberty and tradition is now revealed full-blown: social democracy.

In short, on all crucial issues, social democrats stand against liberty and tradition, and in favor of statism and Big Government. They are more dangerous in the long run than the Communists not simply because they have endured, but also because their program and their rhetorical appeals are far more insidious, since they claim to combine socialism with the appealing virtues of "democracy" and freedom of inquiry. For a long while they stubbornly refused to accept the libertarian lesson that economic freedom and civil liberties are of a piece; but now, in their second line of retreat, they give lip service to some sort of "market," suitably taxed, regulated, and hobbled by a massive welfare-warfare State. In short, there is little distinction between modern social democrats and the now-discredited "market socialists" of the 1930s who claimed to have solved the fatal flaw of socialism first pointed out by Ludwig von Mises: the impossibility of socialist planners calculating prices and costs, and therefore planning a functioning modern economy.

In the collectivist arsenal of the world of the 20th century there used to be various competing statist programs: among them, Communism, Fascism, Nazism, and Social Democracy. The Nazis and Fascists are long dead and buried;

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Communism is not quite fully buried but is still dead as a doornail. Only the most insidious remains: social democracy. Amidst a liberal culture captured by crazed leftist social programs, with a conservative movement lying supine before the social democrat neocons, only the paleo New Fusionists are rising up to thwart social democrat plans for total power, domestic and foreign.

But why are the regnant social democrats worried and trembling at the upsurge of the New Fusionism?—and believe me they are. It is obviously not because of our formal numbers or our limited access to funding. The reason is that the social democrats and their ilk know full well that we express the deepest albeit unarticulated beliefs of the mass of the American people. Clever and cynical control of the opinion-moulding media and of once-conservative money sources are what enable a remarkably small group of energetic social democrats to dominate the conservative movement and to battle, often successfully, for the levers of power in Washington. But they are vastly outnumbered if only the American people were clued in to what is going on, and that is why the social democrats fear our seemingly small movement. What we need to learn is how to mobilize the overwhelming support of the mass of Americans, and thus to undercut, or short-circuit, their domination by a small number of opinion-moulding leaders.

Only the paleo New Fusionists are rising up to thwart social democrat plans.

The Litmus Test: Sidney Hook

If my characterization of neocons and neo-liberals as essentially social democrats seems exaggerated, let us ponder the status of undoubtedly the most beloved figure among all these groups, as well as in the modern conservative movement: the late Sidney Hook. Long a fixture at the conservative Hoover Institution, Hook was everywhere, at every conservative intellectual gathering or organization, his every word and pronouncement hailed adoringly by all respectable folk from the AFL-CIO to the *New Republic* through *National Review* and points right. (Indeed, the *New Republic* has recently canonized Sidney in a worshipful elegy.) Sometimes it seemed that only Communists or thereabouts could possibly have a sour word to say for Hook.

What made Sidney Hook so universally beloved, so seemingly above the merest hint of criticism? Surely it was not his personality, which was neither particularly lovable nor charismatic. Indeed, in his enormously overpraised autobiography, *Out of Step*, Hook reveals himself as a petty, self-absorbed prig. The book is filled with brusque and remarkably unperceptive dismissals of his old friends and acquaintances, none of whom seemed to be worthy of Hook's alleged wisdom and advice. Take, for example, Hook's portrayal of his long-time colleagues at *Partisan Review,* once the quasi-Trotskyite, modernist center of American literary and intellectual life. That chapter is typical of this dull, flat, and monotonic book. Every one of his old colleagues is depicted as an unintelligent, quasi-ignorant dolt, all of whom stubbornly failed to follow Hook's invariably wise counsel. Hook comes across as petty, peevish, narrow, and self-important, lacking either wit or insight, either into his friends or into the world at large.

Neither can Sidney's popularity be explained by the greatness or profundity of his intellectual contributions. In political philosophy, he was a simple-minded pragmatist and social democrat, solving all social problems with the fetish of "majority rule" and "democracy." Knowing the cliches of pragmatism and social democracy he mastered little else, whether of economics, esthetics, history, or any other discipline.

What distinguished Sidney Hook was, first, that he was an ex-Communist, not since the 1930s like his colleagues, but way back, from the 1920s. In short, the older and precocious Hook was a Communist from his adolescence. Despite the story in his self-serving memoir, he remained close to the CP for a long time, on

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into the late 1930s. Contrary to his grotesque title, Sidney all of his life was *In Step*, always being among the first to adopt the newest intellectual fashion. In that way, he showed himself to be a good "intellectual entrepreneur." Communist, Hegelian, Deweyite, Trotskyite, defender of World War II, anti-Communist after the war, *Partisan Review*nik, and finally extreme right-wing social democrat, Hook veered and tacked with the intellectual fashions, and on into the "left" fringes of neoconservatism and the conservative movement. More honest than his colleagues, he referred to himself candidly until the end as a Marxist and as a socialist. It is a measure of the intellectual and political degeneration of the modern conservative movement that Sidney put no one off by his lifelong avowal of Marxism.

Sidney Hook was in his own unimpressive person the living embodiment of what the conservative movement has become.

Thus, Sidney Hook, the Nestor of social democracy, was in his own unimpressive person the living embodiment of what the conservative movement has become: i.e., the disastrous subordination of every cherished principle to the slogan of "anti-Communism," and hence the permanent embrace of war and statism. One's attitude toward Sidney Hook, only recently deceased, therefore provides a convenient litmus test on whether someone is a genuine conservative, a paleo, or some form of neo. Needless to say, all the New Fusionists are anti-Hook to the core.

It is important to consider a final point on Hook and modern conservatism. In his odious book of the early Cold War, *Heresy Yes, Conspiracy No*, Hook set forth a theoretical justification for an assault upon civil liberties and academic freedom. Heresy is OK and deserves the right to dissent, maintained Hook, but "conspiracy" is subversive and evil and has no rights, and therefore it is legitimate and necessary for government to crack down upon them. Note that this is a crackdown upon speech, press, and teaching, and not upon actions such as concrete plots to overthrow the State. The overt use of this doctrine by Hook and the social democrats was to enable purges of Communists. But what was overlooked at the time was Hook's general theory of "conspiracy" which included, not simply Communists, but anyone whose mind, according to Hook, was enthralled to some sort of external cadre, some organization external to the person or to the university where he teaches. Such a theory could just as readily be used, e.g., to bar Jesuits from teaching as it would Communists.

All this fits with an important insight of paleocon political theorist and historian Professor Paul Gottfried: that the social-democrat/neocon assault on free speech and free press "absolutism," and their insistence instead on the importance of "democratic values," constitutes an agenda for eventually using the power of the State to restrict or prohibit speech or expression that neocons hold to be "undemocratic." This category could and would be indefinitely expanded to include: real or alleged Communists, leftists, fascists, neo-Nazis, secessionists, "hate thought" criminals, and eventually... paleoconservatives and paleo and left-libertarians. God knows which individuals and groups might eventually come under the "undemocratic" rubric, and therefore become subject to neocon/social democrat crackdown. To paraphrase an old leftist-interventionist slogan of the 1930s and 1940s: ask not for whom the neocon bell tolls; it tolls for thee.

The New Fusionism: The John Randolph Club

Which brings us to the unveiling of the New Fusionism at the first open meeting of the John Randolph Club. The meeting was held at the scrumptious Marriott Mandalay Hotel at Dallas on the weekend of November 30-December 1. The theme of the meeting was "Confrontation and Convergence," with a leading paleolibertarian and a leading paleoconservative debating each other on a hot political topic at which they would likely be at odds. Each debater presented a 10-15 minute talk, followed by replies and then questions from the floor. After a rousing keynote talk on Friday night by M.E. Bradford, all day Saturday was devoted to the debates: on foreign policy, civil

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rights, immigration, and the New Puritanism, an hour-and-a-half being devoted to each topic. Both members and non-members were included in the 90-odd attendees.

Virtually everyone had a fine time, debaters and attendees alike. The point of the panels was not to score debating points but to try to find common ground, and "convergence" was achieved with remarkable ease on almost every point. The only protesters were those few libertarians and traditionalists in the audience who suffered from culture shock, facing this ongoing paleo-dialogue for the first time. By the end of the day, however, even some of them showed signs of adjusting to the new dispensation.

I was particularly surprised and gratified to find that what I thought would be the most controversial topic—foreign policy—sailed through with virtual unanimity, from the audience as well as on the panel. Not only was everyone opposed to the Iraq War, but there was even enormous theoretical overlap between my own "isolationism" and the paleocon panelist, Dr. Samuel Francis's "conservative nationalism." In my own talk, I set forth the basic two foreign affairs paradigms: world government, a despotic horror which must be opposed with all barrels, and independent national states (pending, of course, the arrival of my own ideal of world-wide anarcho-capitalism). I then outlined old-fashioned libertarian "international law" (pre-World War I) for the way nation-states should behave toward one another, an ideal that began with the Catholic Scholastics and continued through Hugo Grotius and 18th and 19th century international law. The idea was to laud the policy of "neutrality," and to grant neutral countries definite rights as against belligerents: specifically, that neutral shipping must be free of any interdict except for "contraband" goods: strictly defined as only arms and ammunition. This means, of course, that such a monstrosity as the Bush-U.N. embargo against Iraq, which even includes food, is a flagrant violation not only of the rights of person and property, but also of old-fashioned international law. The second important international law restriction on warring states is that they must never target civilians of the other warring country. In short, if there must be a war, it must be limited to the respective State apparati and armies; civilians, being deemed innocent, are off limits to either warring government. A final important foreign policy principle for a world of nation-states is that no state should go to war except for defense of its own borders, since it is only within those borders that its own monopoly of force can extend. In short, States with a monopoly of force over their own territory should not try to extend their jurisdiction; any violation of that principle can only be a recipe for maximizing conflict.

On foreign policy, there was virtual unanimity.

In short, libertarian foreign policy for a world of nation-states is: (a) no State should try to expand beyond its own borders; but (b) if it does, other states should stay out of the squabble, retaining the vital rights of neutrals. The exact opposite of this "isolationist" foreign policy is, of course, the Wilsonian U.S. policy, pursued ever since World War I, of intervening everywhere and attempting to establish a New World Order based on "collective security" to participate in all minor wars everywhere. This interventionist foreign policy was rightly termed by the great Charles A. Beard a policy of "perpetual war for perpetual peace."

Sam Francis' policy of "conservative nationalism" did not differ very much in practice from my own: the main difference being that I would confine the U.S. government to its own borders, whereas Sam would reserve the right to intervene in at least the northern parts of Latin America. (Interestingly enough, this variance replicated one of the few differences among the Old Right advocates of isolationism, from the 1930s through the mid-1950s: To what extent should the U.S. intervene in our "back yard" of Latin America?)

On "Civil Rights" there was very little difference between paleolibertarian Joseph Sobran of *National Review*, and paleocon Dr. Thomas Fleming, editor of *Chronicles*. As indeed there should not be, since both groups are solidly committed to the view that the civil wrong mislabeled "civil rights" has created a malignant system trampling upon the rights of private property. There was

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some nuanced difference, with Joe Sobran speculating that the civil rights movement was originally well-intentioned, but getting corrupted later, whereas Tom Fleming took a much harder line. (As one wag observed: "This is one of the very few gatherings in the United States where Joe Sobran looks like a left-liberal!")

It was on Civil Rights indeed that a few of the libertarians in the audience loudly protested. In the course of blasting the civil rights movement for wrecking American liberties and culture, especially in the South, Tom Fleming made what should have been an unexceptionable point: that while he is opposed to all oppression, it is better for 90 percent of the people to oppress 10 percent than for 10 percent to oppress the other 90. One would think that any libertarian who understood simple arithmetic would agree; and yet so infected have many libertarians become by our leftist egalitarian culture that they could only see red (or black, to be more precise).

But these are passing concerns for the New Fusionism. A more important and intriguing question, still to be resolved by the group, is the proper role of the federal judiciary in insuring even legitimate rights. Many libertarians have an understandable tendency to ignore the Tenth Amendment and to seek salvation of liberties by the federal judiciary. It seems to me that the evidence of constitutional history is opposed; that once you entrust the centralized judicial oligarchy with the protection of individual rights it will soon become a monstrous engine for tyranny and deprivation of genuine rights. This problem needs further discussion, but it certainly looks as if we need a return to the grand old Jeffersonian principle of eradicating federal tyranny, of the judiciary as well as of other organs of central government. Perhaps the entire Leviathan legacy of the lame duck High Federalist John Marshall and his successors needs a caustic reappraisal. There is a real "strict constructionism"!

Voting, unlike the right to private property, is in no sense a natural right.

Immigration had proved a thorny problem within the Old Right; libertarians are committed to freedom of mobility, and hence to open migration, whereas paleocons tend to favor immigration restrictions. Lew Rockwell, paleolibertarian speaker on this issue, stressed correctly that open immigration implies, for libertarians, neither any sort of right or access to government welfare, nor does it imply any "right to vote." For libertarians, voting, unlike the right to private property, is in no sense a natural right. Indeed, voting makes sense most as the voting of parcels of ownership over resources, e.g. the owner of five percent stock in a corporation properly has the right to five percent of voting power over its assets. If an immigrant has no right to welfare nor necessarily the right to vote, this would go a long way to allay paleocon concerns. But Lew also made a deeper point: That in the ideal libertarian society, where there is no public property, e.g. no public streets or lands, there is no place for anyone to immigrate to, unless that person is invited onto that property (or sold the property) by existing private property-holders. Private property owners who refuse to sell, rent, or invite foreigners onto their land will, in this ideal society, not have to put up with their unwanted presence on that land. Lew also called for making legal the old 19th century practice (outlawed in the late 19th century at the behest of the A.F. of L.) of "contract labor," i.e. of American employers traveling abroad and hiring immigrants for jobs before they come to American shores, thus insuring they will neither be unwanted nor become public charges.

The paleocon speaker on immigration, *Chronicles'* book review editor Chilton Williamson, did not take the typical paleocon view on this issue. As an environmentalist, Chilton did not worry about unassimilable cultural groups, as do many paleocons. Instead, he wanted to bar all future immigration whatsoever, in order to preserve the pristine natural environment of the West. Lew Rockwell, our Mr. Anti-Environment, rose to the challenge, and affirmed that, as

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far as he was concerned, the Grand Canyon should be used for landfill. Chilton was obviously horrified, but even this disagreement was pursued in good humor and without rancor.

More importantly, when Chilton was asked by the libertarians what gave government the right to ban immigration into the U.S., a ban going far beyond the will of private landowners, he answered: "sovereignty." A fascinating reply: since he thereby implied that the U.S. government is really the owner of the entire United States land mass, overriding the rights of private property.

Problems of jurisdiction and territory also came up prominently in the final session, on "the New Puritanism." Libertarian Professor Ronald Hamowy gave a talk, marked by his characteristic wit, denouncing the outlawry of drugs. Interestingly, paleocon debater Professor E. Christian Kopff of the University of Colorado, did not call for a war against drugs; instead, he stood for local community control and decision-making on all such social questions. Knowing that paleocons tend to be Christians, Hamowy challenged Kopff: Would you advocate the right of a Hasidic Jewish neighborhood in Brooklyn to outlaw Christian churches in that neighborhood? Without hesitation, Chris Kopff said, "Yes, of course." Discussion then ended on a vital and fascinating note: What exactly *is* a "community"? Paleolibertarians, unlike nihilos, are not opposed to the concept of community; we simply insist on narrowing it to the voluntary actions of property-holders; whereas paleocons tend to conflate voluntary community with local government (making that mistake much less for state, or *a fortiori* for the federal government).

The Higher Synthesis

At these sort of conferences, what goes on in private discussions and bull sessions is often more important than the formal proceedings. Late Saturday night, after proceedings were over, I sat down with one of the top paleocons to discuss what appeared to be the two principal differences of opinion during the day between the two paleogroups.

One was "sovereignty," and does the State have the right to exercise dominion over the entire territorial area? The other was the question of community: How far does it extend beyond private property owners? My paleocon friend said he had always been opposed to the English concept of sovereignty, which still rules in the U.S., where government is coextensive with its territorial area. He said he preferred the continental concept of sovereignty as being attached to a community of persons, rather than to the land. From there we proceeded to discuss the community question, and here our discussion was inspired by some of the contributions from the floor during the day of Howard Phillips, head of the Conservative Caucus, and who proved to be one of the real stars of the conference. Howie stressed the idea of "community" as a voluntary contractual or covenantal community of neighborhood property owners. Suddenly I realized that the Phillips concept provided a way to a higher synthesis of paleolibertarian and paleoconservative: and all in a manner perfectly consistent with anarcho-capitalism! In short, in a country, or a world, of totally private property, including streets, and of private contractual neighborhoods consisting of property-owners, these owners can make any sort of neighborhood-contracts they wish. In practice, then, the country would be a truly "gorgeous mosaic" (in the famous words of New York Mayor Dinkins), ranging from rowdy Greenwich Village-type contractual neighborhoods, to socially conservative homogeneous WASP neighborhoods. Remember that all deeds and covenants would once again be totally legal and enforceable, with no meddling government restrictions upon them. So that considering the drug question, if a proprietary neighborhood contracted that no one would use drugs, and Jones violated the contract and used them, his fellow community-contractors could simply enforce the contract and kick him out. Or, since no advance contract can allow for all conceivable circumstances, suppose that Smith became so personally obnoxious

The Howard Phillips concept provided a way to a higher synthesis.

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that his fellow neighborhood-owners wanted him ejected. They would then have to buy him out—probably on terms set contractually in advance in accordance with some "obnoxious" clause. Libertarians have always believed that, given full scope, the free market could handle all problems, and sure enough here is another area that can be satisfactorily tackled by full freedom—which means full scope for the rights of private property.

The exhilarating saga of the Dallas meeting demonstrates that the alliance of paleolibertarians and paleocons is more than a flash in the pan, more even than a strategic alliance against the Welfare-Warfare State that oppresses us. The alliance is not only here to stay: it is converging into a New Fusionism shorn of the global warmongering that damaged and ultimately brought an end to the Old Fusionism of Frank Meyer. It is a fusionism passionately dedicated to liberty and to opposition to the Leviathan State; to devolving State power from large central agglomerations into smaller and smaller units, and eventually down to proprietary neighborhoods; to unyielding opposition to all forms of social democracy; and it is a fusionism dedicated to bourgeois morality and individual achievements, and opposed to the nihilism and egalitarianism of contemporary culture.

For libertarians, entering into the glorious era of the new fusionism requires only that we rise above the different rhetorics and languages that have separated us from the paleoconservatives, that we grasp the vital common ground beneath them. And above all, that we enter into this dialogue and fusion in a spirit of good will and a willingness to learn from each other, rather than reach quickly for the axe at the slightest difference of opinion. And we can do all this without the slightest surrender of libertarian principle. But such an advance is possible only for those libertarians not hopelessly poisoned by our egalitarian culture, or trapped by moral nihilism. ●

On Being Negative

by M.N.R.

We at *RRR* have often been accused, *mirabile dictu*, by friend and foe alike, of being "negative." Being negative has a bad press in our contemporary culture, largely because there is so much to be negative about, and our ruling elite would much prefer if everyone were oh so positive about nearly everything they are handing down to us. But several things need to be said, once and for all, about negative and positive.

First, all those positive thinkers out there don't seem to realize that they are trapped in self-contradiction and self-refutation. Because by attacking us as being negative they *too* are being negative...about *us*! It seems that it is impossible to escape being negative in this world. You have a choice of two alternatives. Our critics have chosen to be negative about us, but positive about everyone else in the world. Or, you can, like us, be positive about the good and very negative about the evil and the meretricious. Take your pick: there is no middle ground.

Second, we believe in being negative about the bad precisely because we are devoted to the good, the honest, and the true. If, on the other hand, you choose to be positive about *everything*, you devalue the applause due only to the good and the heroic, reducing them to the level of the rotten. The good can only be truly honored by apportioning praise and blame as they are due. And by the way, notice how the present culture denounces anyone who is "judgmental," assuming apparently that value-judgments are always negative. On the contrary, human beings are particularly distinguished by making value-judgments, both positive and negative; it is impossible to avoid being "judgmental" unless one is reduced to the status of a robot or machine.

And finally, being "negative" is such *fun*! ●

The Case for "Hypocrisy"

by M.N.R.

Paleos and other moral traditionalists have long been effectively skewered on the charge of "hypocrisy." Viz., Mr. X, stumping the country denouncing the perils of drunkenness, is exposed by pro-drunk forces as a secret tippler. The Reverend Jimmy Swaggart, denouncing the sins of what is now euphemistically called "sexual diversity," is brought low

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by the revelation that he himself has fallen for the temptations of the sexually diverse. The nihilos dominant in our culture inevitably draw two important conclusions from this exposure of the miscreant's "hypocrisy": (1) that his warnings are not to taken seriously in the future, and that (2) the activity in question is really morally good.

The anti-hypocrite forces, however, have been allowed to get away with murder, for their conclusions do not follow at all. On the contrary, the travails of Mr. X and the Rev. Swaggart more plausibly can lead to the opposite conclusion: that they were correct in calling attention to these perils, for even they have fallen for these intense temptations. Who better qualified than a drunkard to point out the perils of drink? So rather than dismiss Mr. X or Jimmy Swaggart, they should have been hailed as at least quasi-heroes for using their personal troubles as a groundwork to deliver warnings to the rest of us. And rather than betraying the moral principles they champion, these flawed knights should be seen as paying high tribute to the principles from which they sometimes stray in practice. Despite common assumptions, the moral principles themselves are certainly in no way discredited by their actions.

Let me put it in terms even the most simple-minded nihilo-Lib can understand. Suppose that Mr. Y has launched an impassioned crusade against wife-beating (all right, call it *spouse*-beating, if you insist). His crusade has been effective in alerting the country to these dangers. Then, an opponent of Y exposes him as a long-term wife-beater. Does that discredit the crusade? Does it make wife-beating any more morally correct? Certainly not; indeed, it only attests to the concern which Mr. Y has about wife-beating as a moral evil, especially since he himself has been tainted by this sin. *Capice?* ●

The anti-hypocrite forces, however, have been allowed to get away with murder.

Election Oddities

by M.N.R.

There were several oddities in the November election that deserve to be noted:

Claytie's Defeat

It's too bad about Claytie (Clayton Williams, conservative Republican candidate for governor of Texas). He was in many ways an attractive candidate: a conservative self-made millionaire from cowboy country in West Texas, pouring a lot of his own money into the campaign, and running against wise-cracking left-liberal Ann Richards, a candidate with "high negatives" in Texas. That he was gaffe-prone was in many ways endearing, since most of the gaffes simply reflected the traditional cowboy culture that Claytie was proud to exemplify. His devotion to the much-despised redneck "Aggies" (his alma mater Texas A&M) reinforced that image.

But in the last two weeks of the race Claytie blew it, plummeting from far ahead in the polls to a narrow 2.5 percent defeat. Two self-inflicted wounds did it. First: the one time his handlers allowed Claytie to be interviewed, he volunteered—*without being asked*—that he had paid no federal income tax in 1986. Now there was nothing wrong with this, and it was easy for intelligent people to figure out the reason: business losses during a crippling oil-and-real-estate recession for the Southwest. But this was the issue needed for last-minute left-populist demagoguery by Richards, who milked the issue for all it was worth in the last days of the campaign, thundering that "1986 was a tough year for teachers and pipe fitters too...but they paid their taxes." (Not if they suffered heavy business losses, Ann.)

Second, was the infamous incident spread far and wide on TV, where in the course of a joint appearance, Richards stuck out her hand for Claytie to shake, and he refused, saying "You're a liar." Richards's lady-like (and devastating) response: "Oh, I'm sorry, Clayton." To make matters worse, it was clear on TV that this was not just a gaffe of the moment, that Claytie had carefully staged this rebuff, all the while grinning his unpleasantly wolfish grin.

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Claytie, Claytie, I hope you learn from this expensive experience. Learn, first, never to volunteer answers to unasked questions. But, above all, Claytie, remember the best in cowboy culture is Gary Cooper or Duke Wayne. This is the culture that all Texans, and especially West Texans, admire and try to live up to. And Coop and Duke would never, never insult a woman in person in that fashion. By your actions, Claytie, you acted not like Duke but more like the *villains* in the old cowboy movies. You broke faith with your own cultural base. Next time you run, if you do, try to think: what would Duke have done in such-and-such a situation?

Exit Texas's Great Left Hope.

The Hightower Ouster

But more important than the flamboyant and closely-watched gubernatorial race in Texas was the stunning ouster from the post of Agricultural Commissioner of Texas of the dangerous far-left populist Jim Hightower. Hard-leftist Hightower has had the menacing knack of turning every seemingly obscure political post into an effective organizing base for leftism. In 1982, Hightower defeated the conservative Democratic incumbent, and turned the previously somnolent and inoffensive Agriculture Department into a hard-driving left-environmentalist thorn in the side of Texas enterprise. Pummeling his conservative opposition, the abrasive Hightower habitually denounced "the bankers, bullies, big boys and bastards" who supposedly constituted his opposition. In 1986, Hightower was reelected in a landslide, leading the state Democratic ticket.

Business groups have been trying to strike back for years, but with little success. The Republican governor, the Texas Farm Bureau and the chemical industry tried to strip the Commissioner of his authority to regulate agriculture, and even to make the Commissioner an appointed rather than elective post. When these measures failed, Governor Clement and the Farm Bureau even tried to liquidate the entire Department (wouldn't *that* have been great?), leaving Hightower with an elected post heading a non-existent agency. The Texas Farm Bureau even succeeded in getting U.S. Agriculture Secretary Clayton Yeutter to inspire a Department of Justice investigation of Hightower's department, one of the most poorly-kept secrets in Texas politics.

But none of these measures succeeded in crippling Hightower, so it was clear that there was only one route available: the seemingly impossible task of defeating the highly popular Hightower in the 1990 election. The task was entrusted to little-known State Rep. Rick Perry, who the previous year had jumped parties from Democrat to Republican in order to oppose Hightower.

Only one week before the November 6 election, Hightower had maintained a large, double-digit margin in the polls. But then came a magnificently negative television campaign by the Perry forces. (Note: there is nothing that liberal media pundits like less than a tough, negative campaign, because that might mean that the voting masses might learn some home truths about their ruling politicians: they might learn that the Emperor has no clothes.) Three widely distributed TV ads pointed out the ongoing Department of Justice/FBI investigation; superimposed Hightower's face onto the image of a burner of the American flag, with a voice asking, "Does this man represent your values?"; and, last but not least, stressed Hightower's endorsement of Jesse Jackson for president in 1988.

The complacent Hightower forces were caught flatfooted, and Perry squeaked in to victory by a one percent margin. Exit Texas's Great Left Hope, and it couldn't have happened to a more deserving guy.

The Boschwitz Defeat

The only actual dislodgment of an incumbent Senator was the upset of millionaire liberal Republican Rudy Boschwitz of Minnesota by leftist political science professor Paul Wellstone.

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Boschwitz, one of the Israeli lobby's staunchest supporters in Congress, was comfortably ahead, when his supporters blew it by sending a letter to Jewish leaders, denouncing Wellstone for not being a good enough Jew.

This was a strange twist indeed. Minnesota, which, as one wag put it, "has more lakes than Jews," found two Jewish candidates running for U.S. Senate. In the atmosphere, *to whom* did the Boschwitz people think they were appealing? Wellstone had married a Baptist, and their kids were not being brought up as Jews, but how many orthodox Jewish voters did the Boschwitz people suppose would be swayed by this absurd appeal? In the event, the Jewish recipients of the letter were offended, and the Christian masses of Minnesota were offended still more. Exit Rudy.

At least learn to pick your spots, guys. This tactic could work (and has been successfully used) in New York City, but not in the Gopher State. (One year, a New York *Post* reporter named William Haddad ran for high political office in Manhattan; he was attacked by his opponents as being an "Arab"—apparently a lethal disqualification for office in New York — and his supporters vainly tried to correct the record by pointing out that he was a Sephardic Jew.)

The LP is now "America's Sixth Largest Party."

Who's a Socialist?

The Socialist Party is back, electing ex-Brooklynite Bernie Sanders as Congressman from Vermont, over the liberal Republican Peter Smith. Well, bully: first, because any defeat of a liberal Republican is a good in itself, and second, because at least Sanders is honest enough to proclaim his socialist views openly. That's more than can be said for the left-liberal Democracy. On election night, Paul Wellstone and Bernie Sanders were both greeted by the media, and Wellstone was hard-put to distinguish his own views from Sanders', saying only that he was not a socialist. It would be nice if Left Democracy doffed their sheep's clothing and marched into the light with Sanders. Everyone knows that the once-powerful Socialist Bloc in Eastern Europe has fallen apart and is scrambling to find its way back to capitalism and private enterprise; only in America (to repeat the maudlin Harry Golden cliche), is socialism getting ever stronger. But would the American masses really troop to an open Socialist banner?

Decline of the LP

Despite its unbroken string of defeats, the Libertarian Party has long been able to boast that it is "America's Third Largest Party." Not any more, if we measure size by the political bottom line of *victories*. Once again, the LP won nothing nowhere; its most "winnable" candidate for the Idaho House, into whose race the National LP poured a lot of money, wound up with only 16 percent of the vote. But as Eric Rittberg, head of the rapidly growing Republican Liberty Caucus, points out, in terms of victories, the LP is now "America's Sixth Largest Party" (behind the Alaska Independence Party, the Connecticut Party, and the Socialists). A proud boast after twenty years of effort? ●

The Kulturkampf Corner

by The Old Curmudgeon

Now it's board games that have fallen under the "insensitivity" hammer! Parker Brothers, venerable producer of board games, was denounced recently by the head of the U.S. Small Business Administration, left-Republican Susan Engeleiter. It seems that their new game, "Careers for Girls," for girls ages 8-12, lists six "careers" for the young players to select, and La Engeleiter detects a strong sexist "wrong message to young girls." For among the careers are such outlandish activities as "schoolteacher" and "supermom", and there is not a single listing for "astronaut" or "business executive." Furthermore, kvetches La Engeleiter, "there are no careers requiring physical daring or strength." All in all, she complains, the game shows an "insensitivity (there it is again!) to modern realities."

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All right, how about this for the six careers: weightlifter, heavyweight champion, President of the United States, lion tamer, football lineperson, and sumo wrestler? Ready, girls?

Brought under government interdict, Parker Brothers did what is generally done in these situations: run for the protection of a praetorian guard of the supposedly oppressed group. Parker spokeswoman Patricia McGovern stressed that "the game is purely for entertainment" (What? Since when are games supposed to "entertain"? Aren't all activities merely a search for the "politically correct"?), and pointed out that the game was designed by a woman, the art was produced by a woman, and the manager was a woman, so that everyone "involved with bringing this game to market is female."

Hate crimes against the Spotted Owl?!

Will that be enough to get Parker Brothers off the hook? What if it changes its name to the Parker Sisters?

****

Slavery lives in South Africa? Another example of evil white oppression of blacks? Not quite. The slaves are refugees from the civil war in Mozambique. The refugees are lured across the border to South Africa with promises of jobs, and are then sold into slavery. The twist here is that these slaves, indeed black, are sold to blacks or whites alike, whoever is willing to come up with the $140 market price per slave. Another fascinating twist is that, despite their abysmal conditions, the slaves would rather remain in slavery than be shipped back to Mozambique as illegal aliens. In short, in the judgment of the slaves, even slavery is better than living in a land of bloody and ferocious (and poverty-stricken) civil war.

Am I concluding from this that "slavery is good"? No, down, Modal, down. What I am saying is that life is often complex, and that there are more things in heaven and earth than are dreamt of, Modal, in your philosophy.

******

One of the politically incorrect hate crimes these days, for which students are expelled at some colleges, is the sin of "inappropriate laughter." At a football game last November, the famously rowdy Stanford marching band, which in the past had gotten away with urinating on the playing field, and with the Flying Genitalia formation, at last Went Too Far, coming a cropper on the rock of Insensitivity. Which ethnic, racial, or religious group did they offend? None of the above; they committed a hate crime by laughing about the plight of the Spotted Owl, in a game with Spotted Owl-ridden University of Oregon. Stanford athletic director Alan Cummings promptly suspended the band for several games, and may leave the band at home next year, as requested by the Oregon director of athletics.

As the band's manager explained, spotted owl are a subject Oregonians "can't joke about."

Now see here: in the old days, Americans joked about the Great Depression, they joked about the war, they joked about Hitler. If we can't joke about the Spotted Owl, are we still a "free country"?

****

It is more than OK, it is even *de rigueur*, to refer to Saddam Hussein as "another Hitler." In one of his routine barrages against Saddam, George Bush, in his doltish enthusiasm, Stepped Over The Line, claiming that Saddam Hussein is "worse than Hitler," since Hitler never used hostages as human shields. Immediately, the wrath of God descended upon the President, many Jewish leaders accusing Bush of "demeaning the victims of the Holocaust."

I understand that in the lexicon of these Victimologists, no human being, past, present, or future, could ever, by the remotest possibility be worse than Hitler. But why then doesn't it "demean the victims of the Holocaust" to say that a tinpot dictator like Saddam is *as bad as* Hitler? Go figure. - **M.N.R.**

Sieg Health
by Llewellyn H. Rockwell

We've always known the Nazis were economic left-wingers (Nazi standing for National Socialist German Workers Party), but now—thanks to Robert N.

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Proctor's *Racial Hygiene: Medicine Under the Nazis* (Harvard University Press, 1988)—we know they were health nuts, exercise freaks, ecologists, organic food zealots, animal righters, and alcohol and tobacco haters.

Like today's environmentalists, who place every bug and weed above humans, the Nazis were ardent conservationists. They passed a host of laws to protect "nature and nature's animals," especially "endangered" plants and animals.

The Nazis outlawed medical research on animals, with Hermann Goering threatening anyone who broke the law with being "deported to a concentration camp." He jailed a fisherman for six months because he cut off a bait frog's head while it was still alive, and the German humor magazine *Simplissimus* ran a cartoon with a platoon of frogs giving Goering the Nazi salute.

As believers in "organic medicine," the Nazis urged the German people to eat raw fruits and vegetables, since the preservation, sterilization, and pasteurization of food meant "alienation from nature."

They even hated Wonder Bread. "In 1935, Reich's Health Fuhrer Gerhard Wager launched an attack on the recent shift from natural whole-grain bread to highly refined white bread," says Proctor.

Denouncing white bread as "a chemical product," Wagner linked the "bread question" to "a broader need to return to a diet of less meat and fats, more fruits and vegetables, and more whole-grain bread."

In 1935, Wagner formed the Reich Whole-Grain Bread Committee to pressure bakers not to produce white bread, and Goebbels produced a propaganda poster tying Aryanism to whole-grain bread. In 1935, only 1% of German bakeries were health-food stores. By 1943, 23% were.

The Nazis were also anti-pesticide, with Hitler's personal physician, Theodore Morell, declaring that DDT especially was "both useless and dangerous." He prevented its distribution.

The Nazis funded massive research into the environmental dangers of background radiation, lead, asbestos, and mercury. They campaigned against artificial colorings and preservatives, and demanded more use of organic "pharmaceuticals, cosmetics, fertilizers, and foods." Government medical journals blamed cancer on red meat and chemical preservatives.

Drinking was actively discouraged, and there were stiff penalties for anyone caught driving drunk, with the police—for the first time—empowered to give mandatory blood alcohol tests.

Hitler, a vegetarian and health-food enthusiast, was also a teetotaler. Himmler shared Hitler's hatred for alcohol, and had his S.S. promote the production of fruit juices and mineral water as substitutes.

Hitler especially disliked smoking, however, and he would allow no one to smoke in his presence. When the state of Saxony established the Institute for the Struggle Against Tobacco at the University of Jena in 1942, he donated 100,000 RM of his own money to it. He also banned smoking on city trains and buses.

The Nazis believed in natural childbirth, midwifery, and breastfeeding, and women who breastfed their children instead of using "artificial" formula, received a subsidy from the state. By the middle 1930s, the Nazis had outlawed physician-assisted births in favor of midwives.

The Nazis also promoted herbal medicine, and the S.S.'s farms at Dachau were billed as the "largest research institute for natural herbs and medicines in Europe."

No wonder our eco-leftists have that glint in their eye. From now on, I'm going to check if they're wearing armbands. ●

Banks, S&Ls, and Other Organized Crime

by L.H.R.

By the time it is done, the S&L bailout will cost—not the gigantic $500 billion the government now admits to—but a gargantuan $1.5 trillion—about $14,000 for every American family.

To keep this massive transfer of wealth from resulting—as it ought to—in Stage Two of the American Revolution, the government uses its Free Press to pull the wool over our eyes.

We are supposed to concentrate on Charles Keating as he is dragged off to jail, and on his wholly owned senators as they sweat on C-SPAN, while a wise and far-seeing government picks

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our pockets to prevent such a problem in the future. As usual, of course, government is the problem.

The S&Ls got their start as the building societies of the 1920s, state-chartered creations of another decade of Fed-stimulated real estate speculation. When more than 1,900 S&Ls went belly-up in the early years of the Great Depression, Herbert Hoover created the Federal Home Loan Bank Board (known presciently as Flub) to protect the industry.

Even if banks and S&Ls weren't bankrupt, deposit insurance would be impossible.

FHLBB would issue federal charters that the public would see as "seals of approval," and it would regulate the industry. Note: regulation means protection from the marketplace at the expense of consumers and would-be competitors, which is why regulated industries invariably lobby for it.

It was Franklin D. Roosevelt, however, who—in addition to setting up the FDIC for banks, established federal insurance for S&Ls through the Federal Savings and Loan Insurance Corporation (FSLIC). He also subsidized housing and mortgages, which also benefitted the S&Ls.

However, deposit insurance is impossible for S&Ls and banks. Insurance can work only with common, pooled risks like fire, theft, and sickness. Entrepreneurial uncertainty cannot be insured against.

If I want to start a restaurant, I cannot purchase insurance against failure. Even if banks and S&Ls weren't inherently bankrupt, deposit insurance would be impossible, including the private deposit insurance advocated by D.C. libertarians.

But the FDIC and FSLIC "insurance"—actually bail-out guarantees—had enormously bad consequences. Profits were private; losses public.

Things seemed to go well from World War II to the 1970s. The S&Ls were known as the 3-6-3 industry: pay the depositors 3%, loan money at 6%, and leave for the golf course at 3 o'clock. Of course, this seeming well-regulated placidity was purchased at the expense of anti-consumer government intervention in the economy.

This included federal regulations that prevented banks and S&Ls (at their request, of course) from paying market interest rates on savings accounts. As a privilege designed to subsidize these industries and their borrowers at the expense of savers, it worked until Richard Nixon "closed the gold window" on August 15, 1971, and severed the final international tie between the dollar and gold.

This action, which finished the destructive work begun by Roosevelt when he abolished the domestic gold standard, meant that the value of the dollar would be entirely in the hands of the Federal Reserve. The Fed could inflate without limit, at its discretion, to benefit politicians and special interests. In addition to sowing the seeds for future recessions and depressions, this inflation increased prices at a tremendous rate. Since 1971, our dollar has depreciated 400%.

Under Nixon, Ford, and Carter, Fed inflation almost destroyed the dollar in the international markets. And at home, as interest rates rose to double-digit levels, the banks and the thrifts (if you'll pardon the expression) began to experience what the economists called "disintermediation": money flowed out of them and into the new money market funds, threatening the older institutions. So the banks and S&Ls asked for the repeal of the regulations that prevented them from paying higher returns.

Thanks to the anti-regulatory spirit of the times, the banks and S&Ls couldn't get what they really wanted, the strangling of their unsubsidized, uninsured, 100%-reserve competition.

It was under Carter that the insurance on S&L and bank deposits was raised from $40,000 to $100,000, and reserve requirements lowered. The average depositor had $6,000. Why then the big increase, which was slipped through by crooked Congressmen and lobbyists with virtually no public consideration? The plan was to make it possible for large brokered deposits—the creation of Merrill Lynch head and then Treasury secretary Don Regan—to be assembled by brokers and

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placed with no risk in the S&Ls that were paying the highest rates in order to attract money for reckless or corrupt loans.

Only then-Congressman Ron Paul, a member of the House banking committee, battled this FDIC-FSLIC increase, and predicted the disaster it would cause. His warnings were dismissed by the Congress and the press as ridiculous.

Then, in the early Reagan years, part two of the S&L scam was created by shady Congressmen and industry lobbyists: a regulatory reworking. Under this, the S&Ls no longer had to issue home mortgages, the supposed justification for their political privileges, but could "invest" directly in any sort of scheme. No longer did they have to get a down payment on their loans. They could finance 100% of a deal, and more. Developers were permitted to own S&Ls, and S&L owners could make loan to themselves. The thrifts had always been an illegitimate, government-created industry. Now it would be the big casino.

The S&L mess is easy to understand if we compare it to "a Soviet collective farm or a Bulgarian steel mill," says Lewis Lapham. "The operative economic principle was socialist, not capitalist."

At the White House signing ceremony for the law that made all these "regulatory reforms," President Reagan chuckled: "I think we've hit the jackpot." And, indeed, the owners would reap gigantic profits while the public picked up the tab.

Thrifts are considered solvent, in the Alice-in-Wonderland accounting world of Washington, D.C., if they have a 3% capital ratio. This is laughably low by free-market standards, but most thrifts couldn't pass even this test if not for federal accounting gimmicks.

To make the S&Ls look better on paper, they were now able to exchange their worthless notes with the FSLIC for "certificates of net worth," which are counted as capital, as if the owners had actually put their own money at risk, rather than the public's.

"Good will," federally certified claims of customer loyalty, can also be counted as capital, and some of the walking-dead S&Ls have as much as $500 million in good-will make-believe capital.

Only Ron Paul battled this FDIC-FSLIC increase, and predicted the disaster.

This phony capital meant more than the right to stay in business, however. It meant the right to steal. For each dollar in "capital," the regulators allowed the S&Ls to raise $33 from the public in deposits, money which could then be stolen.

Capital was also increased through "appraised equity." If a Texas S&L bought a condo development for $10 million, and then bribed an appraiser to say it was worth $12 million, that extra $2 million was now capital, upon which the S&L could pyramid $66 million in deposits from Wall Street-brokered deposits with above-market interest rates. The money was then spent by the owners on various boondoggles, or loaned to themselves and their cronies and never paid back.

Denver's Silverado S&L, which Neil Bush protected, increased capital in this fashion: a friendly developer sought a loan for $10 million. The S&L said no, but we will loan you $15 million if you buy $5 million of our stock. That $5 million in "capital" was then used as the basis for $165 million in new deposits.

The cost to the taxpayers of the Silverado scam is thought to be $2 billion. But we didn't find out about it until December 1988. A "call from the White House," although no one can remember who called, ordered the regulators not to shut down Silverado until after the election.

(Neil, whose defense is being coordinated by his dad's Yale classmate and fellow Skull & Boneser, ex-Congressman Thomas Ashley, is not the Mr. Smith Goes to Denver innocent that the administration would have us believe. As a board member of Silverado, he made millions from what he called "incredibly sweet deals," which involved some of the sleaziest operators in S&Ldom, men turned out to have—as so often seems to be the case in the really big S&L disasters—Central Intelligence Agency and Mafia connections.)

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There is also "capitalized interest." A friendly developer is urged by the S&L to borrow $25 million for a project, and as an incentive, the institution will loan him $25 million, plus closing costs, points (the S&L's own fee), *and* two years of interest payments, for a total of $34 million. The S&L then enters the points and the first year's interest on its books as "profit," and next year, it calls the second year's interest profit as well.

Then there are "land flips," whereby collusive buyers—developers or other thrifts—would literally sit down around a table and "sell"—without any cash ever changing hands—a piece of property back and forth among themselves many times, each time increasing the price and the loan amount. With each loan, the thrift owners would pocket more money in fees, and if an actual downpayment was ever needed, one of the thrift's subsidiaries could advance the money in the form of another loan.

There were also the "dead horse-dead cow swaps," where bankrupt S&Ls "sold" each other their bad loans, which were then refinanced by the new owner, with the fees entered on the books as profits.

The S&L operators were not all work and no play types, however. They lived like Mafia lords, with Rolls Royces, private jets, squads of call girls, collections of rare paintings and sculptures, yachts, oceanfront mansions, and hunting lodges.

Donald Dixon of Vernon, Texas, was a successful contractor who wanted to own his own S&L. Borrowing the money from a man later shown to have mob and CIA connections, he was able to buy the conservatively managed Vernon S&L, which had $80 million in assets and almost no bad loans.

Breaking a promise to keep the thrift in rural Vernon, Dixon moved it to Dallas, and within a few years, using the new techniques, had ballooned its assets to $1.3 billion.

Landflips and dead-horse dead-cow swaps.

Then Dixon—points out Robert Sherrill, from whose encyclopedic review essay in *The Nation* I have drawn—"set up Dondi Financial Corporation, which became the nominal owner of Vernon, but which he controlled, and 30 subsidiaries which had nothing to do with Vernon, and were thereby free to receive loans from it, which they did with a vengeance."

Soon Dixon was spending millions on Ferraris, a ski chalet, a beach house, a 112-foot yacht (which he anchored in the Potomac River and used to entertain pliant public officials), six airplanes, a hunting lodge, and a family tour of the great restaurants of France. And this represents only his more visible looting. Much money was funneled out in loans that were never intended to be repaid. The final cost to taxpayers: $1.3 billion.

Dixon, like other big S&L crooks, had friends in high places. His included Democrats Jim Wright and Tony Coehlo, plus Republicans Gerry Ford, Jack Kemp, Pete Wilson, and Paul Laxalt (best friend of the man who called it all the "jackpot").

The Dixon-like Charles Keating of Lincoln S&L even hired Alan Greenspan, now chairman of the Federal Reserve, to lobby Congress for him in 1985. Keating wanted to keep the regulatory perks flowing, and Greenspan duly certified that Keating was a man of the greatest integrity and financial acumen.

One of the documents Greenspan used in his lobbying was an endorsement of Keating's financial practices by the accounting firm Arthur Young; the CPA who wrote the accommodating report was then hired by Keating at $1 million a year.

At Keating's S&L, which will cost taxpayers more than $2 billion, many of the land flips were done without applications, credit check, or any sort of documentation. Later, when Keating realized this might be a problem, he had phony papers made up.

The cash was shoveled out the door to Keating's family and friends. Although he and his cronies stole billions, Keating is being charged with taking a comparatively minor $34 million.

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Just what did happen to all the missing billions from these S&L? The feds, who have shown little law-enforcement interest in this point, apparently don't want it looked into.

Some of the money went to well-connected businessmen, such as Jeb Bush of Florida, another presidential son, who made $3.5 million from an S&L loan turned bad on a Miami office building. But what about the rest?

There was Mafia-CIA activity in at least 22 failed S&Ls.

Pete Brewton, a *Houston Post* reporter, has discovered Mafia-CIA activity in at least 22 failed S&Ls, evidence he has presented in a series of detailed articles. The national press—which suffers not so much from liberal bias as government bias—has ignored Brewton's discoveries. The *Washington Journalism Review* named it "The Story Hardly Anyone Wants To Touch."

Brewton believes that a lot of the missing money was stolen by the mob and the CIA, the latter using it for covert operations Congress wouldn't fund. This would be in the same tradition as the CIA drug running as exposed by former *Wall Street Journal* reporter Jonathan Kwitny.

For example, many of the brokered deposits were made in deals that involved prearranged loans to mob figures. One of the biggest dealers in these deposits-loan operations was Mario Renda, a Long Island man who helped funnel *$6 billion* to borrowers connected with the Teamsters Union and the Lucchese, Civella, and Marcello Mafia families. The Mafia, we learned in the mid-1970s Senate investigations, routinely cooperates with the CIA, and the Marcello family in particular has long been a CIA ally. It was hired by the CIA to assassinate Castro, and scholars of the Kennedy assassination have long been interested in the fact that it employed Jack Ruby and a number of Lee Harvey Oswald's friends and relatives at the time of Kennedy's death. In case after case, Brewton finds CIA-connected thrifts like Vision Banc in Texas and Hill Financial Savings in Pennsylvania that went broke after making loans to allies of various Mafia families, not only those mentioned above, but also the Gambino, Genovese, Bonanno, Columbo, and Trafficante families. The money, of course, was never repaid, and never meant to be repaid.

We expect crime from the Mafia, but what about the CIA? As Dan Smoot has pointed out, the CIA has always had a left-wing orientation, been a pillar of the Establishment, and engaged in unconstitutional assassinations and overthrows of foreign governments—i.e., acts of war—that benefitted the Rockefeller world empire rather than America.

As Smoot, who was in the FBI at the time, points out, the new CIA (established in 1948 by Harry Truman) hired many left-wingers turned down by the FBI. Nor is there any warrant in the Constitution for a civilian spy agency. Such activities properly belong in the military.

There are two perfect symbols of the CIA in our national life right now. One is George Bush, former CIA director who may have served as an agent earlier. In 1963 J. Edgar Hoover briefed a "George Bush of the CIA" on the Kennedy assassination, and some scholars believe that was our 1,000-points-of-light president. This is the same man who is openly determined to abolish our country's independence in favor of a "New World Order." The second symbol of the CIA is Bush's former agent Manuel Noriega.

Noriega, the murdering, lying, and stealing former dictator of Panama, was recruited and trained as a very young man by the CIA, and then paid and groomed by it for years, until—for reasons that we still don't fully understand—he stopped taking its orders, and became the Hitler of the month.

But however bad the CIA is, and it is a very bad agency indeed, it and its associated mobsters did not cause the S&L crisis, much as they may have profited from it.

The S&L debacle is a result of government: government regulation, government privilege, government inflation, and government corruption. And now the government is forcing the innocent to pay for its crimes, and the crimes of its cronies in the industry.

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But folks, we ain't seen nothin' yet. For still to come is the bank crisis, an affair that will make the S&Ls seem like Little Mary Sunshine.

As James Turk has pointed out, there is a bank run going on right this moment, federal guarantees or not. Since June 1989, $57 billion in large time-deposits have been withdrawn from the banking system. These sophisticated investors no longer want to risk their money in what is supposed to be a risk-free environment. During the same period, the money market funds grew by $90 billion, and cash holdings increased by $23 billion.

We are in the process of learning some expensive lessons about government and the economy.

There have been many crises in the banking industry since it got fully in bed with the Lincoln administration in the 1860s, but the present crisis dates from 1984, when the Reagan administration nationalized the giant Continental Illinois Bank of Chicago.

Continental went bust because of rumors about more than $1 billion in bad loans it had purchased from an Oklahoma City shopping center bank, Penn Square.

Penn Square had become quite a player in the oil boom before itself going under. When it did, rumors started about Continental's solvency, a bank run started, and the feds stepped in to save the day, and the bankers, with billions of our dollars to bailout all depositors, including those with far more than the alleged limit of $100,000.

The 12 biggest banks were declared "too big to fail."

Among these, Chase Manhattan has just had to lay off 5,000 employees, and Citicorp is having trouble marketing its commercial paper. Chemical Bank, Manufacturers Hanover, Bank of America, and Bankers Trust are all insolvent right now, and the problem is getting worse. Yet for years, federal regulators have been covering up the problem, with the connivance of the press, just as they did with S&Ls.

Hundreds of banks are now failing every year in S&L style and for S&L reasons, and in this very bad recession, many more will join the obituary list.

As real estate drops through the floor, Third World debt loses even more of its value, and company after company goes bankrupt, the banking industry will begin to look like a replay of the S&Ls. President Bush—a life-long disciple of the Rockefeller family, which funded his Zapata oil drilling firm in Texas—can be counted on to bail them out. As with the S&Ls, there will be bipartisan agreement—meaning they have both their hands in our pockets.

The American people will be saddled with trillions of dollars in bad debts to protect two fundamentally corrupt industries—banking and S&Ls. And even more outrages are being committed by the alleged clean-up agency, the Resolution Trust Corporation, as government-favored businessmen get billions more in tax-financed special deals, and RTC-favored lawyers get $500 million in fees for setting them up.

There is only one bright spot on the horizon. If the American people are truly getting angrier and angrier at government, as I think they are, then these horrendous bailouts, and the fall in our standard of living that they will bring, may mean a chance for reform.

We have it within our power to prevent future bank and S&L bailouts, credit misallocations, inflation, and business cycles (which are caused by central bank inflation). We can establish a sound monetary and banking system, of the sort that Thomas Jefferson advocated, and that Ludwig von Mises and Murray N. Rothbard have given us the theoretical underpinnings for: 1) a real gold standard, with no central bank; and 2) a 100%-reserve banking system, in which fraudulent conduct is as illegal as it is in any other business.

We are in the process of learning some expensive lessons about government and the economy. We may yet benefit from them.●

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A Short Course in Money and Banking

Money was the greatest economic advance in history. Before its development, trade took place on the basis of barter.

If I were a wheat farmer and wanted some shoes, I would have to find a shoemaker who wanted some wheat. The inefficiency of this meant that commerce couldn't take place on a level much beyond the tribe. The division of labor was held to a very simple level, with most families providing (or attempting to provide) their own food, housing, clothes, etc.

The division of labor is the market process by which we each specialize in what we do best. The more advanced the division of labor, the more prosperous the society.

The primitiveness of barter began to be solved as traders tried to find those commodities that might bridge the barter gap. If the shoemaker doesn't want my wheat, what might he want?

A money had to be a commodity already in demand for its own sake. It had to be portable, easily divisible, durable, and have a high value per unit of weight. Many things have been tried as money, from tobacco to cattle, but whenever they were free to do so, people settled on gold and silver as the most liquid commodities, those most readily accepted by both the wheat-grower and the shoemaker. And even today, in our fiat paper money world, currencies still bear the names of weights of precious metal: dollar, franc, mark, pound, lira, etc.

Money was not, Ludwig von Mises demonstrated, an invention of some king or other form of government. It was a market innovation that was later nationalized by the state for its own purposes, and debauched.

We can trace, for example, the decline of the Roman empire through its silver denarius. In the days of Augustus, when republican virtue was still prized, the denarius was a full-weight silver coin. By the fall of the empire, it was base metal merely dipped in silver.

But though emperors could, and did, inflate—i.e., expand the money supply—by debasing the coinage in this fashion, there was a limit to what they could accomplish. It took the invention of paper money, and especially central banking, to allow really large-scale theft.

Marco Polo credits the court of the Chinese emperor Kublai Khan for the invention of paper money, and he records his amazement at the fact that it was accepted as if it were gold because it had official seals on it. As in every case in history, however, the emperor printed up more and more, decreasing the paper's value. Even the threat of death could not make people accept it as if it were specie, and the system collapsed.

In our own country, the disastrous colonial experience with paper-money inflation began in my native Massachusetts which, even in the 1690s, had idiots for public officials.

Each fall, the colonial government would send an expeditionary force to loot the fur trading settlements of Quebec, considered fair game because it was French and Catholic. But one year, the Massachusetts troops were defeated, and when they returned home and demanded their pay, which had hitherto been a cut of the loot, the politicians got worried.

One of them—perhaps a Hezekiah Dukakis—came up with the idea of printing paper notes, which would be exchanged for silver coins in seven years. But only just enough to pay the troops, he promised, cross his heart, hope to die, stick a needle in his eye. As usual, the politician's promise was worthless, and the colonial government printed up more and more each year, causing a dreadful inflation, until a group of ruined Boston merchants petitioned London to stop it.

But it was the Continental Congress's inflation during the American Revolution that really gave paper-money inflation a bad name. "Why should I consent to load

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my constituents with taxes, when I can send to the printer for a whole wagonload of paper money, paying for it with but a few sheets worth?" asked one Congressman. By the end of the war, the Continental notes had fallen to 1/1000th of their alleged value in gold, and "not worth a Continental" had entered the language.

Peletiah Webster, one of our first economists, described the transfer of wealth that took place, as patriots accepted and used the money, and Tories refused it. The real Americans were stuck with nearly worthless paper, and impoverished by it.

After the founding of the Republic, Congress—which had some wise men in it, much as that sounds like a fairy tale—appointed a committee chaired by Thomas Jefferson to recommend a money for the new country.

Rather than dreaming up some political scheme, the Jefferson committee sought to find out, in almost Misesian fashion, what the American people were actually using as money. The preferred money turned out to be the Spanish milled dollar minted in Mexico City, whose denomination was eight reales. It was typically cut into eight pieces (hence the name, pieces of eight) for small change, with two of the pieces, two bits, equalling a quarter.

Thanks to men like Jefferson, and the American people's hatred of paper money, we were spared inflation by and large until Abraham Lincoln undertook his greenback inflation—along with the draft, the income tax, the partnership between business and government, gigantic bureaucracy, kangaroo courts for dissenters, aggression, and the mass murder of Southern civilians.

The Lincolnian monetary system was only bettered, from the viewpoint of the state and the banking industry, with Woodrow Wilson's establishment of the Federal Reserve System in 1913.

The Fed's enabling legislation had been drafted at the behest of the financial interests associated with J.P. Morgan and John D. Rockefeller, Jr., at their private hunting club on Jekyll Island, Georgia. Its chief proponent in Congress was Sen. Nelson Aldrich (R-RI), Rockefeller's father-in-law.

The new central bank, patterned after England's and Germany's, which had long enriched their governments and special interests, cartelized the banking industry (i.e., outlawed competition) and enabled the banks to inflate together with the government, and profit from it.

Unlike every other commodity in the world, an increase in the supply of money performs no socially useful function, as Murray N. Rothbard has shown. Society benefits from having more tomatoes, cars, and books. It does not benefit from more money.

If we all woke up tomorrow morning with twice as many dollars as we have today, we would not be better off. Prices would simply double. But that is not the way the money supply is increased, even through the theories of many prominent economists, Milton Friedman among them, assume in their models that it does.

The money supply is actually increased through the banking system and the credit markets, benefitting the politicians, bankers, and government contractors who get the new money first. They are able to spend it first, before it depreciates, thereby transferring resources from those who get the new money last (pensioners, working people, the poor, etc.) to themselves. Thus inflation is a process by which the better-off rob the worse-off.

Banking began in the ancient world. Individuals or partnerships would loan out their own money at interest. Money, like any other good in the economy, is always worth more now than it is in the future, and the interest rate represents payment for that time.

Factors, investment banks, and finance companies are just some of the institutions that have engaged over the centuries in this economically productive activity.

However, banking as an intermediary function—borrowing from savers to loan to borrowers—began only in Venice in

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the late Middle Ages. It didn't reach England until the early 1600s.

Deposit banking developed differently from loan banking. Deposit banking began when people who owned gold and silver paid goldsmiths and others to store it for them, much as we might rent a safe deposit box.

This form of 100%-reserve deposit banking was known as long ago as ancient Greece and Rome, and was dominant as late as the prosperous, 18th-century trading cities of Amsterdam and Hamburg.

But in 17th century England, and earlier in Venice, fractional-reserve banking started. The deposit tickets began to circulate as money, since it was inconvenient to redeem and transfer actual coins or bullion, and the deposit bankers realized that they could issue more tickets than they had gold on deposit—since not everyone would claim his gold at the same time—and loan them out at interest.

This inflation, or increase of the money supply, diluted the value of everyone else's savings, but it was profitable for the banker, as it still is today. Under this system, morally and economically no different from counterfeiting, the banker keeps only a fraction of his depositors' money on hand, even though this is not the contract made with them.

Frequently, bankers would overexpand their issue of tickets, called in later years banknotes, and more would be presented to them for redemption than there was money on hand. This caused a bank run, the closing of the bank, and the ruin of the depositors.

Due to some unfortunate court decisions in England and later the U.S. that were undoubtedly special-interest influenced, the bankers in these bankruptcy cases were treated like debtors who got in over their heads, rather than the embezzlers that they were. The courts, said Rothbard, ruled that when you deposit money in a bank, it becomes the banker's, and he simply owes it to you. What ought to be a warehousing function, with warehouse law applying, was turned into legal fraud.

Commercial banks loan out virtually all of the money they are supposed to keep on hand for depositors, so they are inherently bankrupt. That is why banks (and their smaller cousins, the savings and loans) are always in danger from "lack of confidence." Indeed, public doubt can put them out of business overnight, unlike any other business.

This is exactly what happened in 1985 to the state-insured S&L systems of Ohio and Maryland. Ohio's big Home State S&L failed through Florida land fraud, depositors in other S&Ls got worried and tried to withdraw their money—which wasn't there—and the whole industry shut down. The ripple effect then shut down the similar S&L system in Maryland. So governments in both states enacted special privileges for the S&Ls, such as forbidding depositors from withdrawing more than a few hundred dollars of their own money a month. (A similar process is now going on in Rhode Island after the bust of a private deposit "insurance" scheme.

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To preserve bankers from the consequences of their actions, the U.S. government has used extensive intervention, to the detriment of the American people. No wonder Thomas Jefferson called "banking establishments more dangerous than standing armies."

The Unseen S&L Crisis

Certain industries are far more popular—and therefore politically powerful—than others. We are supposed to be taxed, and pay artificially high food prices, to preserve the family farm, for example, while the family machine shop gets short shrift. Homebuilding is in the beloved farm category, and ever since the 1930s, which also saw the farm program established, we have been taxed and otherwise harmed to promote homebuilding.

Thanks to government intervention, Americans have been trained to see their houses, not as depreciating assets, but as sure-bet investments. Families have taken capital that would otherwise have been productively invested, and consumed it through bigger and more luxurious houses, which were "sure to increase in value." Mostly, this has been the case. We are, as a result, heavily overinvested in real estate, but the chickens have come to roost in our attics.

In Texas and the other oil states, followed by Massachusetts and other northeastern states and now California, house prices have plummeted. People with huge mortgages and even second mortgages—which used to be a shameful sign of profligacy—find themselves with negative equity, leading to mortgage repudiation.

The present recession, which is bound to be very deep as a result of the Fed's activities since 1982, will see a real estate bloodbath. At the end of it, however, the country may be better off.

Recessions, Austrian economists understand, serve the vital function of cleansing the economy from Fed-caused malinvestments. The real estate recession, which will be unlike anything we have seen since the 1930s, may return housing to its proper status in the economy.

Homes may be seen as consumption items that depreciate over time, not investments. If so, we will be the economically healthier for it.

Who Should Pay?

As the S&Ls crumble, to be followed by the banks, the taxpayer will be made to pay. But this is uneconomic as well as immoral. Instead, federal assets should be liquidated, or depositors could be given title to so many acres of, say, Yellowstone Park.

The federal government owns almost 40% of the land area of the United States, plus a horde of buildings, cars, and other saleable assets.

In effect, the U.S. government should be forced into bankruptcy, and its assets divided among its creditors. I can see that great day now: "What am I bid for the Lincoln Memorial?" **—L.H.R.**

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